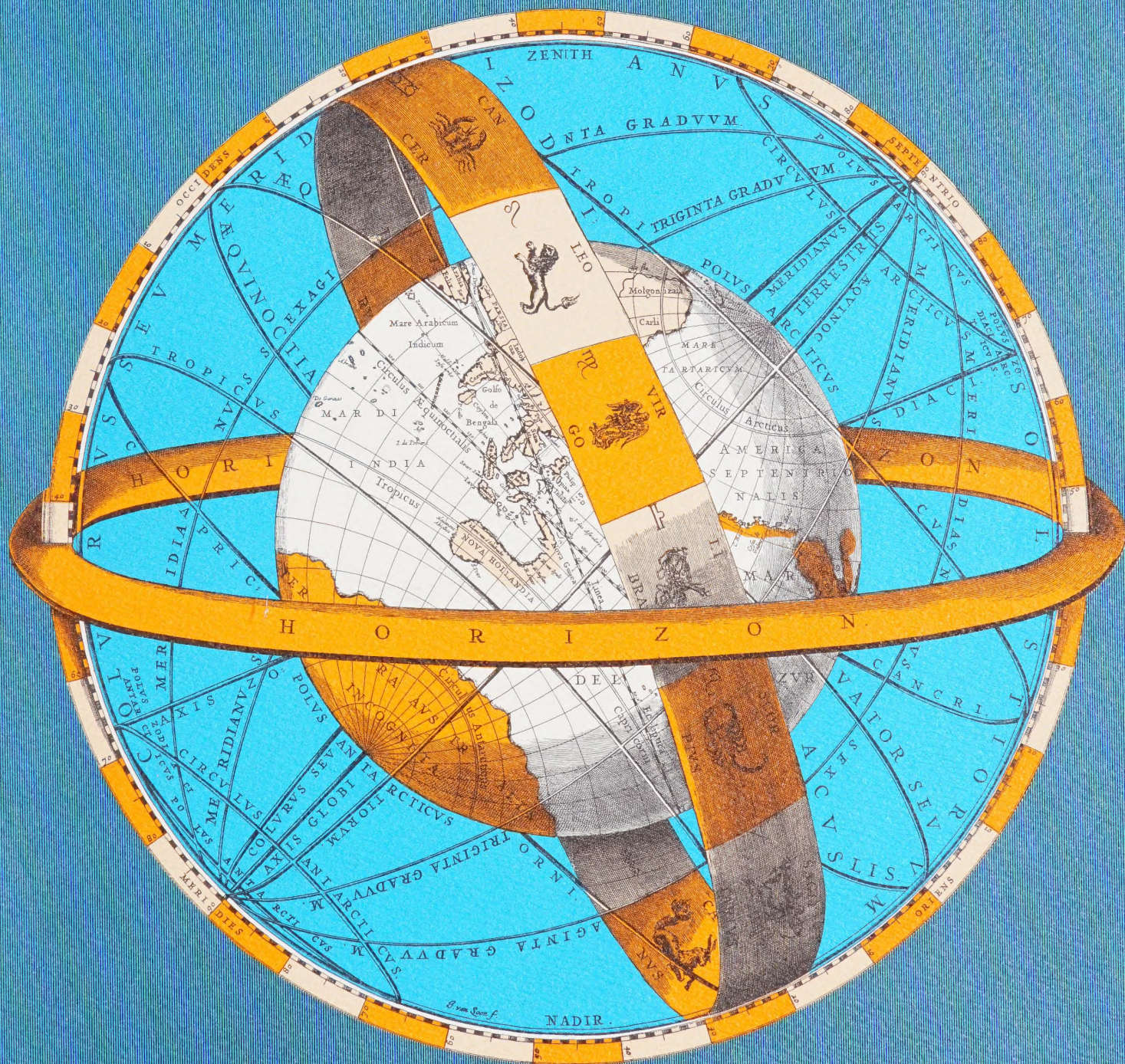


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# Annual Report 1972

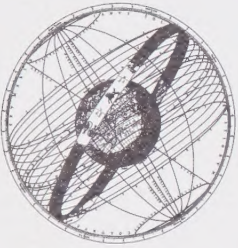


## *Spar* Annual Report Covers



1969

16th century astronomer Tycho Brahe used this armillary to determine the equatorial co-ordinates of stars.



1970

For over 1,500 years man thought of the earth as the centre of our system, with the sun circling it along a spiral path.



1971

Another "space map" from the same 17th century atlas shows the sun modestly to the side among the orbits of the six planets then known.



1972

This early 17th century space projection of the globe shows only a fragment of "New Holland," the name given to all that was at that time known of the Australian continent.

## SPAR AEROSPACE PRODUCTS LTD.

<i>Directors</i>	D. S. BEATTY	W. H. JACKSON*
	E. K. BROWNRIDGE	Dr. P. A. LAPP
	L. D. CLARKE*	R. A. PERIGOE
	R. B. DODWELL*	D. A. B. STEEL*
	J. P. WRIGHT	

*\*members of the Executive Committee*

<i>Officers</i>	R. B. DODWELL
	<i>Chairman of the Board</i>
	L. D. CLARKE
	<i>President and Chief Executive Officer</i>
	G. J. AUBREY
	<i>Vice-President, Finance, and Treasurer</i>
	G. B. GOMES
	<i>Vice-President, Contracts and Pricing</i>
	J. E. LOCKYER
	<i>Vice-President, Engineering</i>
	J. D. MACNAUGHTON
	<i>Vice-President, Marketing and Planning</i>
	E. V. NIELD
	<i>Vice-President, Industrial Relations</i>
	G. R. RUTLEDGE
	<i>Vice-President, Manufacturing</i>
	D. A. B. STEEL
	<i>Secretary</i>

*Transfer Agents  
and Registrars* Montreal Trust Company,  
Toronto

*Auditors* Clarkson, Gordon & Co.

*Head Office* 825 Caledonia Road,  
Toronto, Canada  
M6B 3X8

## 1972 Highlights

### CTS contract

The contract for the design of mechanical subsystems and ground support equipment for Canada's Communications Technology Satellite (CTS), awarded to *Spar* by the Department of Supply and Services, was finalized in November 1972 when the price for the design phase was set at \$5,035,505. Further contracts will be negotiated for the construction of the engineering and flight models of this satellite.



### Contribution to the Apollo 16 and 17 missions to the moon

The command and service module of the Apollo 16 mission in April carried extendable and retractable *Spar* STEM booms, supporting scientific experiments, similar to the STEM booms which *Spar* had designed and manufactured for the Apollo 15 mission in 1971.

While orbiting the moon in December, in the Apollo 17 command and service module, astronaut RON EVANS deployed HF and VHF antennas developed and built by *Spar*. The data gathered by this "lunar sounder" system throws light on the composition of the moon's sub-surface.



### The T700 program

In the spring of 1972 the General Electric Company awarded *Spar* orders for the supply of initial units of the accessory gearbox, power take-off gearbox and radial shaft for their T700 helicopter engine.

These orders provide scope for *Spar's* extensive capability in the aerospace gear engineering and manufacturing fields.



### Air cushion vehicle transmission systems

In the fall of 1972 *Spar* received a contract from Bell Aerospace Canada, a division of Textron Canada Ltd., for the design, development, manufacture and testing of dual propeller transmission systems for the *Viking*, Bell's new air cushion vehicle.



### Acquisition of Astro Research Corporation

Engaged in the investigation of deployable structures and systems concepts since 1958, Astro Research Corporation of Santa Barbara, California, was acquired by *Spar* in April 1972.



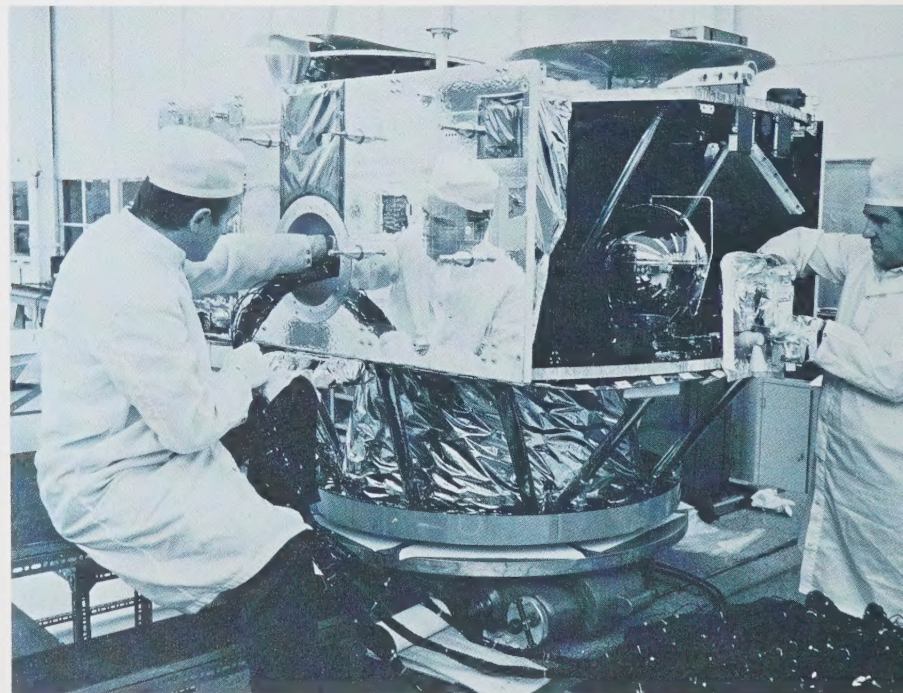
### A bridgehead for Spar in Europe

Astro Spar S.A., a wholly-owned subsidiary, was established in Brussels, Belgium, last September to take advantage of opportunities for the company's entry into the European space market.



## The first five years — a comparison

	1972	1971	1970 (\$000's)	1969	1968
Revenues.....	15,843	12,205	9,124	7,148	5,436
Earnings (loss) of the year:					
—before extraordinary items.....	652	334	(371)	(556)	56
—Net income (loss) for the year.....	830	671	(371)	(747)	22
Working capital.....	2,737	728	314	1,008	1,535
Long term debt.....	1,272	610	848	1,146	—
Shareholders' equity.....	3,591	2,707	2,035	2,393	1,785
Earnings (loss) per share					
Basic					
—before extraordinary items.....	\$ .49	\$ .27	(\$ .30)	(\$ .51)	\$ .06
—Net income (loss) for the year.....	\$ .63	\$ .54	(\$ .30)	(\$ .69)	\$ .02
Fully diluted					
—before extraordinary item.....	\$ .38	\$ .20			
—Net income for the year.....	\$ .48	\$ .41			
Dividends paid per share.....	\$ .02				
Book value per share—fully diluted..	\$2.03	\$1.54	\$1.14	\$1.39	\$1.27
Number of shareholders.....	2,198				



The dynamic/thermal model of Canada's Communications Satellite (CTS) seen in *Spar's* spacecraft assembly area prior to shipment to the NASA Goddard Space Flight Center near Washington, D.C., for solar simulation thermal vacuum tests.



## *President's Report*

The favourable results achieved by Spar in 1972 reflect the organizational, technological and marketing investments made in your company during the preceding four years.

The continued growth in profit and cash flow in 1972 enabled your board of directors to initiate a program of quarterly dividend payments commencing in the last quarter of 1972.

### **Financial**

Revenues in 1972 increased by 30% from \$12.2 million to \$15.8 million and earnings after income taxes rose 95% to reach \$652,000 against \$334,000 for the preceding year. These earnings represent 49¢ per average common share outstanding compared to 27¢ per share in 1971 (38¢ per fully diluted share in 1972). Net income, including reduction of income tax realized on the carry-forward of a prior year's loss, was \$830,000 compared to \$671,000 in 1971. Shareholders' equity increased from \$2.7 million to \$3.6 million. With the continued improvement in earnings and augmented by the arrangement of a \$1 million six year term loan in mid 1972, working capital rose to \$2,736,963 from \$729,651 at December 31, 1971. This level of working capital should be fully adequate to finance capital additions and meet the anticipated growth requirements of the company.

In accordance with prior years' practice, management wrote off research and development expenses against 1972 earnings in the amount of \$293,504. Total research and development expenditures for the year amounted to approximately \$499,000 as compared to \$455,000 in 1971 before grants and assistance aggregating \$206,000 (1971—\$182,000) under various Canadian Government assistance programs.

With the initiation of work on the accessory drive system for General Electric's T700 helicopter jet engines, substantial gear development costs were incurred in the fourth quarter of 1972. Following an established policy of amortization over five years, your company in 1972 expensed gear development costs in the amount of \$120,101 as compared to \$99,884 in 1971.

Virtually all of the 150,000 first deferred shares were converted last year. In light of the 1972 results, 150,000 second deferred shares will become eligible for conversion after April 30, 1973, which will net \$150,000 to the company's treasury.

In April 1972 Spar completed the acquisition of Astro Research Corporation of Santa Barbara, California. This new subsidiary is engaged in the study and development of a wide range of specialty lightweight extendable structures largely for U.S. aerospace applications. Last September your management incorporated a European subsidiary in Brussels under the name Astro Spar S.A. This organization will provide consulting services to European space firms in the areas of specialty skills developed within Spar and Astro Research and, hopefully, will lead the way to Spar's participation in some of the emerging new space programs now being initiated by the Common Market countries.

### **The First Five Years**

With Spar having completed its first five years as an independent Canadian owned company, it may be useful to reflect briefly on the past before attempting to peer into the future.

The SPAR Division of DeHavilland acquired as of January 1, 1968, was at that time engaged in the overhaul of an extensive line of aircraft instruments producing about \$2 million billings a year and in the development and marketing of a range of sophisticated mechanical, electrical and optical aerospace products with some \$3 million in annual sales. For several years prior to 1968 the principal thrust of the SPAR Division had been directed at developing and extending its product base with a view to serving markets outside the aerospace industry.

During the first half of 1968, Spar continued this policy and attempted to support it through product licences and acquisitions. However, by the end of 1968 it had become apparent that during its first few formative years Spar's marketing capabilities and technical expertise could be more effectively concentrated on the requirements of the aerospace market. The subsequent purchase in mid 1969 of certain assets and contracts of York Gears Ltd. complemented this change of emphasis.

Having expanded its facilities, Spar was able to compete successfully for major engineering and manufacturing sub-contracts for the *Anik* and CTS satellites. This has resulted in our space business increasing from some \$1 million in 1968 to approximately \$6 million in 1972. With the refurbishment of the transmission plant and equipment, and the addition of new, experienced gear design and manufacturing personnel,



management was able during 1972 to secure the first two of what promises to become a continuing series of major aerospace transmission orders, as the North American aerospace industry moves into a new product development cycle.

Thus, during its first five years Spar concentrated its energies on the most promising areas for its expertise within the aerospace industry. This has resulted in a sales growth from some \$5 million in 1968 to almost \$16 million in 1972.

### The Future

The aerospace industry is now recovering from its recent slump and it is expected that during the next few years the greater part of Spar's growth objectives will be achieved through a deeper and broader penetration of its traditional aerospace markets. The new helicopter and jet engine programs that are now emerging should provide numerous opportunities for Spar's gear and transmission capabilities.

Spar is the only Canadian company with experience in the design and development of major mechanical satellite sub-systems. With the recent advances in the reliability of communication satellites and the pressing demand for spacecraft to provide data with respect to our environment, the market for satellite-borne systems is growing rapidly, creating new opportunities for Spar. The techniques and products developed so successfully by Spar for the final series of Apollo moon shots have opened the door to participation in the shuttle program which is the next major venture in space. During 1972 Spar received two study contracts from the Canadian Government which were directed at the development of remote handling equipment (or robots) for use on a number of planned shuttle projects.

In the long term, however, the opportunities from within the aerospace market alone will be insufficient for Spar to maintain a sustained growth pattern. Therefore over the next few years your management will direct its attention increasingly to the atomic energy, environmental and mass transportation markets where Spar's special expertise in such areas as electro-optics, STEM and Astromast devices, control systems and high quality gears and transmissions may be marketed.

### New Developments

In 1972 we were successful in obtaining two development contracts from Atomic Energy of Canada Limited for

the application of our STEM principle to the operation of atomic power plants. Last September, a contract was received for the design and manufacture of the transmission and drive system for the new *Viking* hovercraft. The multi-spectral camera, which we developed for the Federal Department of Energy, Mines and Resources, was successfully flight tested in 1972 and marks our entry into the emerging market for environmental control equipment, much of which, as mentioned before, will be satellite-borne. Our automatic stabilizing system for the new LRC high-speed train being developed jointly by Dofasco, Alcan and Montreal Locomotive was successfully tested during 1971 and 1972. These projects all complement Spar's longer term objective of providing its services to these promising growth areas.

### Conclusion

Your management believes that over the next five years it can continue to grow at a rate comparable to its first five years of operations. In the high technology industry, long term planning is essential as lead times for new products are considerable, often a decade or more. Thus, already looking beyond the next five years, your company intends to direct an increasing amount of its resources toward attaining significant long term business from the growth industries of the future.

Spar's backlog of orders on hand for 1973 indicates a year of high activity which should result in further growth in sales and, hopefully, in spite of heavier development expenses related to the new T700 and *Viking* programs, in improved profits.

I would like, on behalf of the Board, to thank all employees and shareholders for their encouragement and support during the past five years.

On behalf of the Board,



L. D. CLARKE  
President

March 14, 1973.

## Statement of Consolidated Income and Retained Earnings

For the year ended December 31, 1972

(with 1971 figures for comparison)

	<u>1972</u>	<u>1971</u>
Revenues.....	\$15,843,398	\$12,204,634
Cost of sales including all expenses except items shown below.....	12,467,703	9,585,642
Administrative and selling expenses.....	1,569,743	1,278,690
Deferred development amortization (including amounts written off of \$65,830 in 1971).	120,101	165,714
Depreciation and amortization.....	277,922	272,474
Bank and other interest charges (note 6).....	67,142	155,619
Management fees (note 11).....	75,000	75,000
	<u>14,577,611</u>	<u>11,533,139</u>
Income before income taxes and extraordinary item . . . . .	1,265,787	671,495
Income taxes (including deferred income taxes of \$442,000 in 1972) (note 5).....	614,000	337,000
Income for the year before extraordinary item.....	<u>651,787</u>	<u>334,495</u>
Extraordinary item:		
Income tax reduction realized on carry-forward of a loss (note 5).....	178,000	337,000
Net income for the year.....	<u>829,787</u>	<u>671,495</u>
Deficit, beginning of year.....	423,680	1,095,175
	<u>406,107</u>	<u>(423,680)</u>
Dividend paid.....	28,101	
Retained earnings (deficit), end of year.....	<u>\$ 378,006</u>	<u>\$ (423,680)</u>
Earnings per share:		
Basic		
—before extraordinary item.....	<u>\$ .49</u>	<u>\$ .27</u>
—net income for the year.....	<u>\$ .63</u>	<u>\$ .54</u>
Fully diluted—before extraordinary item.....	<u>\$ .38</u>	
—net income for the year.....	<u>\$ .48</u>	

Basic earnings per share are based on 1,771,304 shares being the weighted average number of common shares outstanding during the year (1971—1,247,390).

Fully diluted earnings per share are based on 1,771,304 shares assuming conversion of all of the deferred shares and exercise of all options outstanding, and recognition of imputed earnings on cash received therefrom (Note 7).

(See accompanying notes to the financial statements)



# SPAR AEROSPACE PRODUCTS LTD.

(Incorporated under the laws of Canada)

## Consolidated Balance Sheet

(with 1971 figures)

### ASSETS

	<u>1972</u>	<u>1971</u>
Current:		
Cash and short term deposits.....	\$ 756,150	\$ 8,551
Accounts receivable.....	3,753,272	2,235,651
Inventories, less advance payments (note 3).....	1,786,585	1,408,682
Prepaid expenses (note 4).....	58,119	21,878
Total current assets.....	6,354,126	3,674,762
Machinery, tooling and equipment—at cost (note 4).....	2,768,037	2,628,658
Less accumulated depreciation and amortization.....	874,856	634,837
Net machinery, tooling and equipment.....	1,893,181	1,993,821
Deferred development costs less accumulated amortization.....	383,645	303,746
	<u>\$ 8,630,952</u>	<u>\$ 5,972,329</u>

On behalf of the Board:

 Director

 Director

(See accompanying notes to the financial statements)



t, December 31, 1972

(comparison)

## LIABILITIES AND SHAREHOLDERS' EQUITY

	<u>1972</u>	<u>1971</u>
Current:		
Bank indebtedness (note 6).....	\$	\$ 990,144
Accounts payable and accrued charges.....	3,032,122	1,489,149
Employee deductions payable.....	185,311	136,297
Sales and other taxes payable.....	107,927	39,877
Current portion of long term debt (note 6).....	291,803	289,644
Total current liabilities.....	<u>3,617,163</u>	<u>2,945,111</u>
Long term debt (note 6).....	980,432	320,602
Deferred income taxes (note 5).....	442,000	
Shareholders' Equity:		
Capital stock (note 7).....	3,213,351	3,130,296
Retained earnings (deficit).....	378,006	(423,680)
Shareholders' equity.....	<u>3,591,357</u>	<u>2,706,616</u>
	<u>\$ 8,630,952</u>	<u>\$ 5,972,329</u>

## Auditors' Report

To the Shareholders of  
SPAR AEROSPACE PRODUCTS LTD.:

We have examined the consolidated balance sheet of Spar Aerospace Products Ltd. and its subsidiaries as at December 31, 1972, and the statements of consolidated income and retained earnings and consolidated source and use of funds for the year then ended. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion these consolidated financial statements present fairly the financial position of the companies as at December 31, 1972, and the results of their operations and the source and use of their funds for the year then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Toronto, Canada,  
March 14, 1973.

*Clarkson, Gordon & Co.*  
Chartered Accountants



## Statement of Consolidated Source and Use of Funds

For the year ended December 31, 1972

(with 1971 figures for comparison)

	<u>1972</u>	<u>1971</u>
<i>Source of Funds :</i>		
Net income for the year before depreciation and other non-cash outlays.....	\$ 1,680,719	\$ 1,121,231
Issue of capital stock.....	83,054	
Term bank loan.....	1,000,000	
Long term debt assumed under Government Industrial Assistance Program.....		172,878
Disposal of machinery and equipment.....	12,734	15,360
Decrease in non-current deferred interest charges.....		10,060
	<u>2,776,507</u>	<u>1,319,529</u>
<i>Use of Funds :</i>		
Acquisition of shares of Astro Research Corporation.....	255,314	
Less net current assets acquired.....	186,605	
Cost of fixed assets.....	68,709	
Additions to machinery and equipment (net of Government grants of \$172,878 in 1971).....	132,215	280,482
Deferred development costs.....	200,000	349,634
Repayment of long term debt and provision for instalments due currently.....	340,170	273,906
Dividend paid.....	28,101	
	<u>769,195</u>	<u>904,022</u>
Increase in working capital.....	2,007,312	415,507
Working capital, beginning of year.....	729,651	314,144
Working capital, end of year.....	<u>\$ 2,736,963</u>	<u>\$ 729,651</u>

(See accompanying notes to the financial statements)



# Notes

## 1. Accounting Policies

### *Principles of Consolidation*

The accompanying consolidated financial statements include the accounts of the Company and all subsidiary companies.

### *Inventories*

Inventories of raw materials and finished goods are valued generally at the lower of cost, applied on a moving average basis, and market value determined on the basis of replacement cost or net realizable value, whichever is lower. Work in process represents contracts valued at estimated sales value calculated on the percentage of completion basis where the work has advanced sufficiently to warrant such a valuation, and contracts in the initial stages which are valued at cost. Under the percentage of completion method, revenue is accrued as the work is performed, and provision is made for any anticipated losses where the estimate of total costs on a contract indicates a loss.

### *Research and Development Costs*

The Company follows the practice of expensing all research and development expenditures as incurred with the exception of:

- (a) costs related to the manufacture of equipment for development purposes which are capitalized and included as machinery, tooling and equipment, and
- (b) certain development costs related to the initial manufacture of new products which are deferred and amortized over a period of five years commencing in the year in which the expenditure is incurred. Should the Company determine that no future profitable business will accrue on a program, the costs of such program will be totally written off at that time. Development costs are claimed for income tax purposes as incurred.

### *Depreciation and Amortization*

The Company records depreciation and amortization on a straight line basis at the following rates: 6 $\frac{2}{3}$ % for heavy machinery, 10% for other machinery and fixtures, and 33 $\frac{1}{3}$ % for tooling and automotive equipment.

### *Income Taxes*

The Company provides for income taxes on the tax allocation basis whereby the provision for income taxes each year is computed on the basis of the depreciation and other charges reflected in the statement of income rather than the related amounts claimed as deductions in the Company's tax return.

## 2. Subsidiary Companies

In April 1972 the Company purchased the common shares of Astro Research Corporation, Santa Barbara, California, U.S.A. for a cash consideration of \$255,314. The excess (\$46,822) of the purchase price over the underlying book value of net assets was allocated to fixed assets.

In September, 1972 the Company incorporated Astro Spar S.A., Brussels, Belgium.

The two other wholly-owned subsidiaries are inactive.



### 3. Inventories

Inventories are classified as follows:

	1972	1971
Work in process less advance payments in 1972 of \$31,730 (1971—\$31,730).....	\$ 1,440,054	\$ 1,078,828
Raw materials, parts and supplies.....	300,713	266,279
Finished goods.....	45,818	63,575
	<u>\$ 1,786,585</u>	<u>\$ 1,408,682</u>

### 4. Machinery, Tooling and Equipment and Accumulated Depreciation

Machinery, tooling and equipment at December 31, 1972, includes an amount of \$632,073 (1971—\$663,597) representing the costs of lease-option contracts capitalized in prior years. These leases cover machinery and equipment used in the manufacturing division and are equivalent to instalment purchase contracts for the assets. Accordingly, the payments required under the contracts have been capitalized, in part, as machinery and equipment costs to be depreciated over the estimated remaining useful lives of the assets, and, in part, as deferred interest charges (included in prepaid expenses) to be amortized over the terms of the lease-option contracts.

### 5. Income Taxes

Taxes applicable to 1972 income have been deferred in the amount of \$442,000 resulting from differences in timing for claiming allowable expenses for tax purposes (see note 1).

As a result of operating losses in prior years the Company has reduced current taxes otherwise payable by \$178,000 (\$337,000 in 1971) which amount is reflected as an extraordinary item in the statement of income.

### 6. Long Term Debt

	Total liability	Portion due in 1973 shown in current liabilities	Balance owing
Amount payable including option payments on various lease-option contracts to the expiry of the leases.....	\$ 66,922	\$ 66,922	
Non-interest bearing loans from D.I.T.C., Government of Canada, for the purchase of machinery and equipment repayable in annual instalments to 1976 at which time the Company acquires full title to the assets.....	255,313	74,881	\$180,432
Term bank loan bearing interest at $1\frac{1}{4}\%$ above the prime rate repayable in quarterly instalments to December 31, 1977.....	950,000	150,000	800,000
	<u>\$1,272,235</u>	<u>\$291,803</u>	<u>\$980,432</u>

During the year the Company obtained a term bank loan secured by a demand debenture in the principal amount of \$3,000,000 that carries a floating charge on all unencumbered assets of the Company. Under the debenture, the Company is required, among other things, to maintain an excess of current assets over current liabilities of not less than \$1,500,000 and to meet certain ratio tests of current assets to current liabilities and indebtedness to shareholders' equity.

The Company in addition has a line of credit with its banker for day to day purposes which is secured by a general assignment of the accounts receivable and inventories.

### 7. Capital Stock

During the year 149,500 common shares were issued upon the conversion of 149,500 first deferred shares and the payment of a cash consideration of \$74,750. In addition 7,000 common shares were issued for a cash consideration of \$8,304 upon the exercise of stock options.



The following table details the capitalization of the Company:

	Authorized shares	Issued and outstanding December 31, 1972	
		Number	Amount paid-in
Common shares without nominal or par value.....	2,000,000	1,405,054	\$3,210,346
First deferred shares without nominal or par value.....	50,500	500	5
Second deferred shares without nominal or par value.....	200,000	150,000	1,500
Third deferred shares without nominal or par value.....	200,000	150,000	1,500
	<u>2,450,500</u>	<u>1,705,554</u>	<u>\$3,213,351</u>

#### *Deferred Shares*

The first deferred shares are convertible at any time on the basis of one deferred share plus cash of \$.50 for one common share.

Since the net profit after taxes exceeded \$400,000 in 1972, the remaining deferred shares are convertible as follows:

—second deferred shares are convertible on or after April 30, 1973, on the basis of one deferred share plus cash of \$1.00 for one common share;

—third deferred shares are convertible on or after April 30, 1974, on the basis of one deferred share plus cash of \$1.50 for one common share.

Deferred shares are not eligible for dividends until the year following that in which the consolidated net profit of the Company, after tax, exceeds, in the case of the first deferred—\$200,000, second deferred—\$300,000 and the third deferred—\$400,000. If declared, dividends on the first deferred shares are restricted to the dividends paid on the common shares in the preceding fiscal year of the company. Dividends on the second and third classes of deferred shares are restricted to the dividends paid on the preceding class in the preceding year.

The first and second deferred shares carry one vote and the third deferred shares carry three votes per share.

#### *Stock Option Plan*

Under an incentive stock option plan, there are outstanding options to full-time officers and other employees to purchase common shares of the company at prices ranging from \$1.04 to \$4.72 per share. These options may be exercised at various periods through to 1978. During the year options on 12,250 shares were granted, options on 7,000 shares were exercised for an aggregate cash consideration of \$8,304 and options on 1,000 shares were forfeited on termination of employment.

At December 31, 1972, 65,750 common shares were under option including 40,000 common shares under option to officers of the Company.

#### *Common Shares Reserved for Future Use*

366,250 shares are reserved for future issue of which 300,500 are reserved for conversion of the first, second and third deferred shares into common shares and 65,750 for the exercise of the outstanding stock options.

## 8. Business Categories

Revenues in each of the Company's major categories of business are as follows:

	1972 (000's)	1971 (000's)
Repair and overhaul.....	\$ 6,968	\$ 6,063
Engineering.....	6,013	4,488
Manufacturing.....	2,862	1,654
	<u>\$15,843</u>	<u>\$12,205</u>



## 9. Lease Commitments

The Company leases its Caledonia Road facility under a 20 year lease through 1989 for an annual rental of \$318,000.

## 10. Pension Plans

The Company has funded pension plans covering substantially all of its employees. The contributions by employees together with those made by the Company are deposited with trustees according to the terms of the plans. Pensions at retirement are related to remuneration and/or years of service. The amount charged to income (including amounts paid to Government pension plans) was \$327,685 (1971—\$174,899) which amount includes amortization of prior service costs.

Unfunded prior service pension costs of \$261,000 (including unfunded vested benefits of \$115,000) will be funded on a straight line basis over the next 16 years.

## 11. Directors' and Officers' Remuneration

The aggregate remuneration paid by the Company to its nine directors, as directors, amounted to \$6,197 (1971—\$4,805). The aggregate remuneration paid to its eleven officers, as officers, and one past officer amounted to \$278,968 (1971—\$167,179). Three officers are also directors of the Company.

In addition, a management fee of \$75,000 was paid to Gainsborough Management Limited under the terms of a management agreement which expired December 31, 1972, covering the services supplied by two directors, who are also officers of the Company, and one other director. This agreement has not been renewed and effective 1973 the individuals covered by this agreement have been engaged directly by the Company.

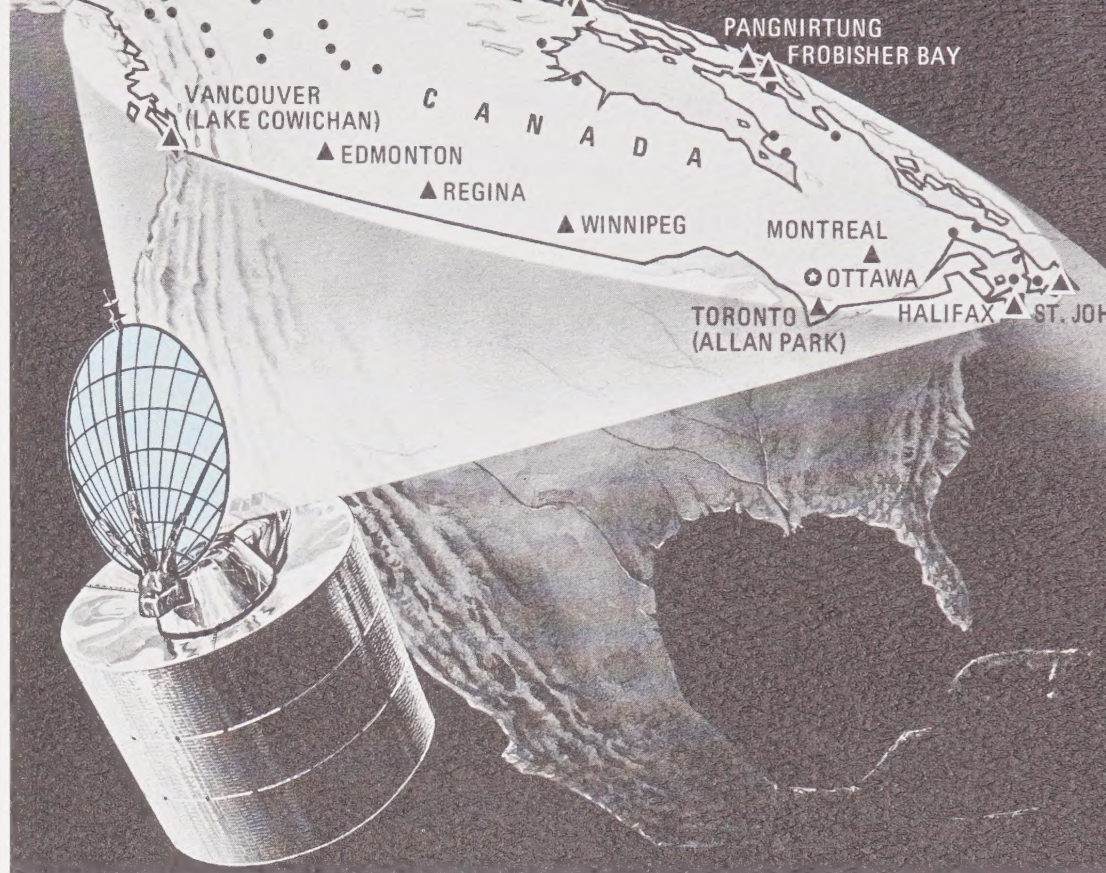


*Spar* overhauls flight and engine instruments, electrical equipment and constant speed drives for the Canadian Forces CC 137 (Boeing 707) aircraft.



*Anik*, the world's first geostationary domestic communications satellite, was launched at the Kennedy Space Center, Florida, on November 9, 1972. The satellite is now in orbit above the equator, making modern communications available to remote and formerly isolated areas of Canada.

*Spar* provided design engineering support and manufactured satellite structures for the system as a sub-contractor to Hughes Aircraft Co. of California.



Artists' concept of an air cushion coast guard vehicle. *Spar* received a contract for transmission systems for such craft in the fall of 1972.



